

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-69-S**

IN RE:)
)
Application of Palmetto Wastewater)
Reclamation LLC, d/b/a Alpine)
Utilities and Woodland)
Utilities for adjustment)
of rates and charges for, and modification)
to certain terms and conditions related to)
the provision of sewer service.)
_____)

**DIRECT TESTIMONY OF
CRAIG SHERWOOD**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Craig Sherwood. My business address is 1710 Woodcreek Farms Road, Elgin, South Carolina 29045.

Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed as the South Carolina Vice President of Operations for Ni America Operating, LLC. ("Ni America Operating"). Ni America Operating is owned by Ni America Capital Management, LLC, which is the sole member of Ni South Carolina LLC ("Ni South Carolina"). Ni South Carolina is the sole member of Palmetto Wastewater Reclamation LLC, doing business as Alpine Utilities and Woodland Utilities ("PWR"), the Applicant in this proceeding.

1 **Q. WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND,**
2 **TRAINING, AND WORK EXPERIENCE?**

3 A. Yes. I have attended the University of Texas at Austin, Austin Community College, and
4 Tyler Community College where I have studied civil engineering. In connection with my
5 various positions involving utility systems, both governmental and private, I have
6 completed more than one thousand hours of continuing professional education and
7 training. I have worked in local government utility operations and management,
8 having served as the director of public works for the City of Arp, Texas, from 1985 to
9 1993 and as the director of public works for the City of Murphy, Texas, from 2002-2004,
10 both of which positions involved management and supervision of water and wastewater
11 systems. I eventually became the Acting City Manager, and then the City Manager for
12 the City of Murphy and worked with that municipality until I accepted employment with
13 Ni America in 2007. I have also worked on utility-related matters at the state
14 government level for two years, having been employed as a utility specialist involved
15 with drinking water standards matters for the Texas Natural Resource Conservation
16 Commission, which is now known as the Texas Commission on Environmental Quality
17 from 1993-1995. I first became involved with investor-owned water and sewer utility
18 systems in 1997 when I accepted a position as the manager for the central Texas area for
19 AquaSource, a large multi-state utility owner operator. In that capacity, I was responsible
20 for eighty water and sewer systems in a twenty-one county area operated by a staff of
21 forty-five persons. I worked with AquaSource for five years. In 2007, I accepted a
22 position as Operations Manager for Ni America in Houston, Texas. In 2011 I became

1 Manager of Operations for Ni America Operating and in 2012 I was promoted to South
2 Carolina Vice President of Operations for Ni America Operating. I am a Class A
3 biological wastewater treatment operator certified by the Environmental Certification
4 Licensing Board of the South Carolina Department of Labor, Licensing and Regulation

5 **Q. WHAT DOES YOUR CURRENT ROLE AS SOUTH CAROLINA VICE**
6 **PRESIDENT OF OPERATIONS WITH NI AMERICA OPERATING, LLC,**
7 **ENTAIL?**

8 A. My responsibilities include oversight of the day-to-day management of the
9 wastewater treatment systems and operations for PWR, Palmetto Utilities, Inc., and
10 Palmetto of Richland County LLC. I also oversee our employee designated to
11 implement our grease trap inspection program.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

13 A. The purpose of my testimony is to support the application for rate relief and
14 provide the Commission with an overview of PWR's two systems, a review of the
15 performance of these systems from an operational standpoint, and a description of the
16 improvements that have been made to the systems.

17 **Q. WOULD YOU PLEASE PROVIDE THE COMMISSION WITH THE**
18 **OVERVIEW OF PWR THAT YOU MENTIONED?**

19 A. Yes. PWR was created to acquire the wastewater treatment and collection
20 systems which were owned and operated by Alpine Utilities, Inc. and Woodland Utilities,
21 Inc. The Commission approved these acquisitions in its Order Number 2011-320, issued
22 in Docket Number 2011-65-S on May 13, 2011, and PWR has since that time operated

1 both systems. Although the Commission has approved a new rate schedule for PWR for
2 customers served by the Alpine System since its acquisition, customers served by the
3 Woodland System are currently being served under a rate schedule which had been
4 previously approved by the Commission for Woodland Utilities, Inc. This rate relief
5 proceeding applies to PWR customers served by both systems. Customers served by the
6 Alpine System in PWR's Commission authorized service area are located in portions of
7 unincorporated Richland County and Lexington County, as well as a small portion of the
8 City of Columbia, that are generally located north of Interstate Highway 20, west of
9 Broad River Road, South of Piney Grove Road, and east of Interstate Highway 26; a
10 small portion of the service area adjoining the area I just described is situated on both
11 sides of Interstate Highway 20, west of Interstate Highway 26, and north of the Saluda
12 River and is contiguous to the part of the service area where customers are served by the
13 Woodland System. Customers served by PWR's Woodland system are located in the
14 Company's authorized service area in unincorporated Lexington County in the area that
15 is generally west of Interstate Highway 26, north of Interstate Highway 20, east of the
16 CSX railroad line, Cherrydale Lane, Ashland Road, Kingsbridge Road, Palace Drive, and
17 Sidney Road, and south of Tram Road.

18 **Q. WOULD YOU PLEASE PROVIDE THE HISTORY OF THE ALPINE SYSTEM**
19 **THAT YOU MENTIONED?**

20 A. Yes. The Alpine and Woodland systems have existed since the 1960's. The
21 current Alpine treatment plant was installed in the 1970s. As the Commission found in its
22 Order No. 2011-320 in Docket No. 2011-65-S approving the acquisition of the Alpine

1 and Woodland systems by PWR, the facilities were at that time in need of significant
2 upgrades and improvements that Alpine Utilities, Inc. and Woodland Utilities, Inc. were
3 not as well positioned financially to make as was PWR. The Alpine System was beset by
4 sanitary sewer overflows, or “SSOs,” excessive inflow and infiltration, or “I&I,” and
5 other operational problems which were the result of either delays in necessary
6 maintenance or inadequacies in the existing mains, lines, and manholes. The Woodland
7 System had similar deficiencies, but to a lesser degree given its smaller size. Also, there
8 were well-publicized incidents of improper discharges into the Saluda River near the
9 Alpine Wastewater Treatment Plant (“WWTP”) caused by inadequate facilities which led
10 to fines being imposed by both the Environmental Protection Agency and the South
11 Carolina Department of Health and Environmental Controls, or “DHEC”. Our plan to
12 address these issues is outlined in the Memorandum of Understanding, or “MOU,”
13 between PWR and DHEC that is described in Mr. Wallace’s and Mr. Melcher’s
14 testimonies.

15 **Q. WHAT ACTIONS HAS PWR TAKEN TO ADDRESS THE PERFORMANCE OF**
16 **THE TWO SYSTEMS?**

17 A. As part of the five-year plan to address deficiencies in the Alpine collection plant
18 outlined in the MOU, we have continued to perform maintenance work that had been
19 deferred, including videoing, cleaning and repairing lines, repair and replacement of
20 manholes, and repairs to satellite systems. Prior to the last Alpine rate proceeding, we
21 had made various upgrades to the WWTP contemplated in the MOU, including
22 installation of two new digesters, relocation of the sludge dewatering facility, repair and

1 replacement of a portion of the walls in the aeration tank, installation of a new bar screen,
2 replacement of electrical switch gear, replacement of aerators in the aeration tank, and
3 construction of a new clarifier. Since the last rate relief proceeding for the Alpine System,
4 we have made additional upgrades to the WWTP, including installation of a clarifier,
5 installation of a new generator, installation of a rail system to transport the eight aerators
6 to work areas so that repairs and service can be performed without the need for rental of
7 an industrial crane, installation of a sulfur dioxide delivery system and fiberglass
8 building to house it, improvements to the sludge press building, and installation of an
9 effluent filtering system which permits us to repurpose reclaimed water for plant use. As
10 a result of these actions, the number of SSO's has decreased from twenty seven in the
11 twelve months prior to our acquisition of the Alpine system to two in the test year and
12 four in this calendar year. Similarly, the improvements consisting of pipe replacement
13 and lining have contributed to a reduced level of I&I and this is one reason why
14 shutdowns of the WWTP due to excessive flow, which were routine prior to our
15 ownership, have not recurred during the test year or since.

16 Under the terms of the MOU, more work was needed on the Woodland collection
17 system than was needed on its treatment facility, which is a lagoon system. As part of the
18 five year plan to address deficiencies in the Woodland collection plant outlined in the
19 MOU, we have performed maintenance work that had been deferred, including videoing,
20 cleaning and repairing lines, repair and replacement of manholes, and repairs to satellite
21 systems. As a result of these actions, the number of SSO's has decreased from eleven in
22 the year prior to our acquisition of the Woodland system to three in the test year and two

1 in the last twelve months. At our Woodland treatment facility, we have undertaken
2 significant and needed repairs to the lagoon levee system, including removal of excessive
3 tree growth in the berm, reinforcement of the berm to improve its integrity by installation
4 of additional soil, and improvement to levee access via installation of a gravel based
5 transit way. We have also buried overhead electric lines which previously crossed over
6 the lagoon and created a hazard in the event of a line break and installed new or repaired
7 fencing on the refurbished levee. In addition to these items, we have also installed new
8 aerators at the lagoon.

9
10 **Q. WHAT IS THE COMPANY'S GOAL FOR THE ALPINE AND WOODLAND**
11 **SYSTEMS?**

12 A. Our goal is to operate the systems not only in accordance with the requirements of
13 regulations and our permits, but to also achieve the same standard of excellent and
14 environmentally responsible performance that is provided by PWR's sister subsidiary,
15 PUI. As the letter attached to the Application as Exhibit "C" reflects, PWR holds all of
16 the necessary permits from DHEC to operate the Alpine and Woodland system facilities.
17 Prior to PWR's acquisition of the Alpine System, both DHEC and the Environmental
18 Protection Agency had imposed substantial fines on the prior owner. Since their
19 acquisition by PWR, the Alpine and Woodland systems have incurred no fines. PWR is
20 committed to operating in an environmentally responsible manner and rate relief is
21 necessary to ensure our ability to recover the costs of achieving that level of
22 environmental compliance.

1 **Q. HOW ARE PWR'S SYSTEMS OPERATED?**

2 A. As I mentioned earlier, I oversee the operation of the systems, with daily
3 maintenance and operations functions being performed by a combination of Ni America
4 Operating personnel and outside contractors. Our outside contractors include Utility
5 Partners, a national utility operations service concern which provides services for Alpine,
6 Woodland, PUI and Palmetto of Richland County LLC. We also use Utility Group of
7 South Carolina to work on our collection systems. All operators of our treatment facilities
8 are appropriately licensed as Class A biological wastewater treatment operators by the
9 Environmental Certification Licensing Board of the South Carolina Department of Labor,
10 Licensing and Regulation.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes, it does.